

## 4 FAH-3 H-100 BUDGETING

## 4 FAH-3 H-110 BUDGETING

## 4 FAH-3 H-111 DEFINITIONS

*(TL:FMP-1; 9-30-94)*

a. The **budget** of any organization is the identification of resources, both personnel and funding, required to accomplish the organization's goals and objectives and programs for a specific period of time. A budget is a tool for planning, managing, and controlling the use of resources.

b. **Budget authority** is that authority which becomes available during the fiscal year to enter into obligations that result in immediate or future outlays of Government funds. Most budget authority is in the form of appropriations; other types are contract authority and authority to borrow. Appropriations fall into two categories

(1) Direct to the Department; and

(2) To other departments or agencies which are subsequently transferred, allocated, or reimbursed in whole or in part to the Department.

c. There are two types of budget authority:

(1) **New obligation authority** is that amount requested from and approved by the Congress for the Department each fiscal year; and

(2) **Total obligation authority** is the sum of all sources of obligation authority which the Department is authorized to obligate (new obligation authority, carry forward unobligated balances, and reimbursements).

d. An **Authorization Bill** is an act of Congress which becomes a public law when signed by the President that establishes the purpose and guidelines for the given activities of the Department and usually sets a limit on the amount that can be appropriated. The authorization does not, however, provide the actual dollars for a program nor does it enable an agency or department to make commitments to spend funds in the future.

e. An **Appropriation Bill** is a public law enacted by Congress and signed by the President to provide funds to record obligations and make payments (expenditures) for specific purposes out of the Treasury. These funds are provided for purposes as specified in the appropriations acts.

## **4 FAH-3 H-112 APPROPRIATIONS**

### **4 FAH-3 H-112.1 Appropriation Use, Limitation, and Types**

*(TL:FMP-1; 9-30-94)*

a. Appropriations are provided for periods of time, depending upon the nature of the programs being funded. The obligation and subsequent expenditure of appropriations must be within the purposes for which the funds were appropriated by the Congress and unless funds are reprogrammed or transferred pursuant to statutory procedures.

b. Obligations may not be incurred nor expenditures be made in advance of or in excess of an appropriation. To do so is in violation of the Anti-Deficiency Act and the responsible officer is subject to removal from office and may also be punished by fine or imprisonment.

#### **4 FAH-3 H-112.1-1 Annual Appropriations**

*(TL:FMP-1; 9-30-94)*

a. Annual appropriations are provided for recurring obligations associated with operations essentially unchanged in nature from year to year but which vary in level of effort and are available from October 1 to September 30 for the fiscal year in which appropriated. Examples of costs generally included in annual appropriations are the payment of salaries, travel, utilities, and equipment maintenance. Salaries and Expenses, Representation, and the Office of the Inspector General are examples of annual appropriations within the Department.

b. An annual appropriation is available for making obligations during the fiscal year in which it is available.

c. An annual appropriation is available for adjustments and will be maintained by fiscal year identity for five years.

d. After the five-year adjustment period has expired, any unliquidated obligations and unobligated balances must be withdrawn and closed. Any claims for valid obligations must be obligated and disbursed from the current year appropriation available at the time a valid claim is submitted to the Department.

e. Payment of old balances from unexpired funds is limited to one percent of the unexpired appropriation. For annual accounts, the limitation is one percent of the annual appropriation for the account, not total budgetary resources.

#### **4 FAH-3 H-112.1-2 No-Year Appropriations)**

*(TL:FMP-1; 9-30-94)*

a. No-year appropriations are generally provided for complex programs of a continuing nature characterized by multiple phases which preclude a definite completion date. Such appropriations are usually appropriated each year, but each year's obligational authority is available until fully obligated. For example, the acquisition and maintenance of buildings abroad is a no-year appropriation which provides for new U.S. Government facilities overseas including planning, design, site acquisition, construction, finishing, furnishing, and acceptance.

b. A no-year appropriation is open for obligation for an indefinite period of time and unobligated balances are carried forward from fiscal year to fiscal year.

#### **4 FAH-3 H-112.1-3 Multi-year Appropriations**

*(TL:FMP-1; 9-30-94)*

Multi-year appropriations are provided to remain available for a specified number of fiscal years for program initiatives which are expected to extend over more than one year but which should have a finite life span. A multi-year appropriation is available for obligation for a period of up to 5 fiscal years as the specified period of availability, see section 4 FAH-3 H-112.2 (3) below.

#### **4 FAH-3 H-112.2 Appropriation Structure**

*(TL:FMP-1; 9-30-94)*

The Department regularly receives over 20 appropriations which are a mixture of the annual and no-year type. Additionally, multi-year appropriations are received from time to time, depending upon legislation enacted by the Congress. Finally, the Department must manage the balances of no-year and multi-year appropriations which carry over from year to year even though no new appropriations are received. The specific nature of an appropriation can be determined by the third character in the appropriation number which specifies the year(s) of fund availability:

(1) An annual appropriation will have a single digit as the third character, representing the current fiscal year.

(2) A no-year appropriation will have an "X" as the third character, which represents indefinite fund availability.

(3) A multi-year appropriation will have two digits separated by a slash (/) as the third character, which indicates the starting and ending years of fund availability.

## **4 FAH-3 H-112.3 Department Appropriations**

*(TL:FMP-1; 9-30-94)*

The appropriations received by the Department are provided in 4 FAH-1 H-200 .

## **4 FAH-3 H-113 REVOLVING FUNDS**

*(TL:FMP-1; 9-30-94)*

Revolving Funds are budget entities for the delivery of goods and services at established rates. Such funds are budgeted to recover the cost of delivering the goods or services, plus the overhead costs of that organization. Within the Department, the working capital fund is a revolving fund.

### **4 FAH-3 H-113.1 Working Capital Fund**

#### **4 FAH-3 H-113.1-1 Definition**

*(TL:FMP-1; 9-30-94)*

A working capital fund is a revolving fund which is authorized by specific provisions of law to finance a continuing cycle of operations in which expenditures generate receipts and the receipts are available for expenditure without further action by Congress. The working capital fund is established to provide a more effective means for controlling the costs of goods and services produced by commercial activities; to provide a more effective and flexible means of financing, budgeting, and accounting for these activities; to foster cost consciousness and efficiency for both the users and suppliers of services; and to promote a buyer-seller relationship between the producing activity and the customer.

#### **4 FAH-3 H-113.1-2 Working Capital Fund Operation**

*(TL:FMP-1; 9-30-94)*

The fund operates by providing a revolving working capital fund for the activities funded. This requires the user to obligate funding resources for work orders for working capital fund activities. The charges for working capital fund services must be sufficient to cover all operating and overhead expenses including the replacement of capital assets required to sustain activity operations. Working capital fund charges are reviewed annually and a pricing schedule is published and distributed to all potential users.

### **4 FAH-3 H-113.2 Department Working Capital Fund Activities**

(TL:FMP-1; 9-30-94)

The following activities operate under a working capital fund in the Department:

(1) **Publishing and Distribution Services**—Provides printing, copying, and physical distribution services for Department printed matter, including notices, and Foreign Affairs Manuals.

(2) **Freight Forwarding and Warehousing Services**—Prepares paper work, booking export ocean and air freight shipments of personal property and official supplies from points within the U.S. to posts abroad. Also, preparing paper work for receiving, clearing through Customs, and forwarding ocean and air freight shipments of personal property and official supplies to locations in the U.S.

(3) **Fleet Management and Domestic Operations**—Provides motor vehicle services to the Department.

(4) **Digital Systems Programs Division Services**—Provides centralized management control over equipment and services for unclassified voice/data telecommunications.

(5) **Labor Pool Services**—Provides general services including delivery of shipments at the Main State Building, laborers for office moves, and installation of security devices.

(6) **Supply Services Center and Stock Account Operations**—Provides for receipt and shipment of nonstock items for posts, receipt, stocking, storage, shipment, and/or delivery of expendable and nonexpendable items for both domestic and overseas use. Also provides for disposal of excess property and refinishing furniture used domestically.

(7) **Library Services**—Procures all periodical and magazine subscriptions within the Department.

(8) **Regional Procurement and Support Offices Services**—Provides assistance to posts with the procurement of local supplies and materials.

(9) **Foreign Missions Program Operations**—Facilitates the securing and efficient operations of foreign missions and public international organizations in the United States.

(10) **Building Services**—Provides delivery for shipments received directly in the bureaus, laborers for office furniture and equipment moves, and installations.

## **4 FAH-3 H-113.3 Foreign Service National Separation Liability Trust Fund (FSNSLF)**

*(TL:FMP-1; 9-30-94)*

The FSNSLF was established to fund separation payments for eligible foreign service employees of the Department of State. The goal is to fund separation liabilities to employees who voluntarily resign, retire, or lose their jobs due to a reduction in force; and is applicable only in those countries that, due to local law, requires a lump-sum voluntary separation payment based on years of service. Moreover, authorized individuals can periodically obtain advances on accrued liability balances prior to separation.

## **4 FAH-3 H-114 BUDGET PROCESS**

### **4 FAH-3 H-114.1 Budget Formulation and Congress**

#### **4 FAH-3 H-114.1-1 Budget Formulation**

*(TL:FMP-1; 9-30-94)*

a. The budget process is the means by which the Department identifies and justifies the resource requirements associated with the performance of its programs, alternatives within each activity to achieve the desired end product, and trade-offs between partial or complete achievement of established goals and associated costs.

b. In determining funding changes among allocations, budget formulation considers field budget and bureau submissions, statements by the Secretary and other principals, instructions from the Under Secretary for Management, and policy and program priorities expressed through the Department program planning process (see 1 FAM ). Funding decisions are guided by the policy objectives and program requirements established by these statements and planning documents.

c. There are two approaches to budget formulation:

(1) Incremental budgeting, whereby current spending levels are basically accepted and incremental increases and decreases to the prior year's budget are addressed; and

(2) Zero-based budgeting in which each discrete activity is analyzed, evaluated, and ranked through analysis and review.

d. Due to time constraints, the Department's budgets are usually prepared using the incremental approach.

#### **4 FAH-3 H-114.1-2 Congressional Budget**

*(TL:FMP-1; 9-30-94)*

a. Each post and bureau participates at some point in the preparation process of the congressional budget, from its inception for internal Department review to formal submission to Congress. The level of participation varies in detail and frequency depending upon the appropriation being reviewed

b. OMB Circular A-11 directs the entire formulation process by providing detailed instructions and guidance on the preparation and submission of annual budget requests and associated materials. Circular A-11 includes an overview of the budget process, general requirements, general policies, guidance on reporting employment levels and personnel compensation, defines budget concepts, defines object classes, and details other justifications and reporting requirements.

## **4 FAH-3 H-114.2 Internal Department Process**

### **4 FAH-3 H-114.2-1 Guidance**

*(TL:FMP-1; 9-30-94)*

a. Guidance for the Department's internal budget review is issued in May of each year with budget submissions from the bureaus due back to the Chief Financial Officer (CFO), Bureau of Finance and Management Policy (FMP), in late May. This guidance contains the budget calendar, preliminary identification of budget issues, word processing schedules, data processing schedules, and wage and price schedules.

b. Executive branch departments and agencies are required to submit initial budget materials to OMB beginning early in the fall. Other materials are submitted in the fall and winter on a schedule supplied by OMB. Budget data are required for the past, current, and upcoming budget year, as well as for the four years following the budget year. OMB will review all agency budget requests, based on Presidential priorities and budget constraints. A complete set of budget proposals will be presented to the President by early December for his approval. After the review is completed, decisions on budget requests are passed back to agencies. Agencies revise their budget requests promptly. The final estimates are transmitted to Congress in the President's budget not later than the first Monday in February.

### **4 FAH-3 H-114.2-2 Bureau Submission**

*(TL:FMP-1; 9-30-94)*

For the internal budget review, each bureau submits its budget request to the CFO for consideration and inclusion in the Department's budget request to OMB. The CFO staff ensures that the budget requests are properly priced, executable, and reflect the priority programs and initiatives of the Secretary of State. Budget requests must also be within resource constraints and marketable.

#### **4 FAH-3 H-114.2-3 Function 150 Request**

*(TL:FMP-1; 9-30-94)*

The Department's budget review includes the development of the overall request to OMB for Function 150 (International Affairs) which includes not only major portions of the Department's budget request but also the budgets of the U.S. Information Agency; Agency for International Development; Export-Import Bank of the United States; as well as portions of the budgets of the Departments of Defense, Treasury, and Agriculture. Function 150 funds are provided to finance the foreign affairs establishment, including embassies and other diplomatic missions abroad; loans and technical assistance activities in the less developed countries; international security assistance and foreign military sales; economic support funding; U.S. contributions to international financial institutions, refugee programs, and export-import activities. The Secretary of State not only determines the resource and program request of the Department, but as ombudsman for the Function 150 account, must make tradeoffs and set priorities for the larger foreign affairs community.

#### **4 FAH-3 H-114.3 Budget Formulation System**

*(TL:FMP-1; 9-30-94)*

The budget formulation system maintained by FMP/BP provides the Department with an automated system to generate and maintain the exhibits required for the budget submission. This system:

(1) Standardizes all data entry and data collection using the program activities structure by which the Department presents its resource needs and requirements to OMB and the Congress; and

(2) Captures resource requirements on a programmatic basis for all Department program activities and the individual line items which comprise these activities.

### **4 FAH-3 H-115 CONGRESS AND OFFICE OF MANAGEMENT AND BUDGET**

#### **4 FAH-3 H-115.1 Role of Office of Management and Budget (OMB)**

*(TL:FMP-1; 9-30-94)*

a. OMB, acting as the agent for the President, reviews agency budget requests and proposes a cohesive budget embodying an economic program and spending priorities, with the ultimate product being the budget document which is presented to Congress in January.

b. OMB review consists of the submission of the Department budget request in September, hearings with OMB examiners on the Department's programs, pass back (OMB mark-up of the Department budget), and an appeal process for those decisions recommended by OMB which are not acceptable to the Department. The OMB review ultimately results in the publication of allowances which state the Department budget levels, full-time equivalency of personnel, and specific program direction. These allowance levels are provided to the Department prior to Congress acting on the appropriation bill.

#### **4 FAH-3 H-115.2 Budget Submission to Congress**

*(TL:FMP-1; 9-30-94)*

Soon after Congress returns in February, the President submits the budget request for the executive branch of government to the Congress for authorization and appropriation. This submission incorporates the recommendations of OMB.

#### **4 FAH-3 H-115.3 Congressional Mark-up**

*(TL:FMP-1; 9-30-94)*

Overriding the entire congressional budget review process is the impact of the Congressional Budget Act of 1974, the Balanced Budget and Emergency Deficit Control Act of 1985, and the Budget Enforcement Act of 1990.

(1) The Congressional Budget Act of 1974 created the Budget Committees of the Senate and House of Representatives as well as the Congressional Budget Office. It also created the need for concurrent resolutions which set overall levels of spending by defining federal revenues and outlays.

(2) The Balanced Budget and Emergency Deficit Control Act of 1985, mandated reduction of the federal deficit through automatic spending reductions through either the appropriation process or through sequestration.

(3) The Budget Enforcement Act of 1990, amended the Balanced Budget and Emergency Deficit Control Act of 1985, and established limits on discretionary spending for defense, international, and domestic programs on a pay-as-you-go system for controlling direct spending. Funds will be sequestered if spending levels exceed established limits.

#### **4 FAH-3 H-115.4 Congressional Committees**

*(TL:FMP-1; 9-30-94)*

The Congressional budget review process involves both houses of the U.S. Congress—the Senate and the House of Representatives. Several types of committees become involved in the review of the Department's authorization and appropriation requests. Each committee is comprised of members of both political parties and professional support staffs.

##### **4 FAH-3 H-115.4-1 Budget Committees**

*(TL:FMP-1; 9-30-94)*

The Senate and House Budget Committees establish the overall levels of spending, revenues, and the deficit. These committees also monitor congressional spending levels and are supported by the Congressional Budget Office.

##### **4 FAH-3 H-115.4-2 Authorization Committees**

*(TL:FMP-1; 9-30-94)*

a. Authorization committees are responsible for legislation authorizing the appropriation of funds to the Department and providing substantive authorities to manage the Department and the conduct of the Department's programs.

b. The authorization subcommittees for the Department are the Terrorism, Narcotics, and International Operations Subcommittee of the Senate Foreign Relations Committee and the International Operations Subcommittee of the House Foreign Affairs Committee.

## **4 FAH-3 H-115.4-3 Appropriation Committees**

*(TL:FMP-1; 9-30-94)*

Appropriation committees are responsible for legislation appropriating funds for all functions and for those items which require new obligational authority. The appropriation requests for the Department are acted on in the first instance by the Commerce-Justice-State Subcommittees of the Senate and House Appropriations Committees.

## **4 FAH-3 H-116 THROUGH H-119 UNASSIGNED**